

AN ACT

RELATING TO ELECTRIC POWER; ENACTING THE NEW MEXICO RENEWABLE ENERGY TRANSMISSION AUTHORITY ACT; CREATING THE NEW MEXICO RENEWABLE ENERGY TRANSMISSION AUTHORITY; PROVIDING, UNDER CERTAIN CIRCUMSTANCES, FOR THE FINANCING OR THE PLANNING, ACQUISITION, MAINTENANCE AND OPERATION OF CERTAIN ELECTRIC TRANSMISSION FACILITIES BY THE AUTHORITY; PROVIDING GROSS RECEIPTS TAX DEDUCTIONS FOR CERTAIN RECEIPTS RELATING TO ELECTRIC TRANSMISSION PROJECTS; PROVIDING A COMPENSATING TAX DEDUCTION FOR THE VALUE OF CERTAIN EQUIPMENT INSTALLED AS PART OF ELECTRIC TRANSMISSION PROJECTS; PROVIDING FOR THE ISSUANCE OF RENEWABLE ENERGY TRANSMISSION BONDS; MAKING AN APPROPRIATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

Section 1. SHORT TITLE.--Sections 1 through 15 of this act may be cited as the "New Mexico Renewable Energy Transmission Authority Act".

Section 2. DEFINITIONS.--As used in the New Mexico Renewable Energy Transmission Authority Act:

A. "acquire" means to obtain eligible facilities by lease, construction, reconstruction or purchase;

B. "authority" means the New Mexico renewable energy transmission authority;

C. "bonds" means renewable energy transmission

bonds and includes notes, warrants, bonds, temporary bonds and anticipation notes issued by the authority;

D. "eligible facilities" means facilities to be financed or acquired by the authority, in which, within one year after beginning the transmission or storage of any electricity, and thereafter, at least thirty percent of the electric energy, as estimated by the authority, originates from renewable energy sources;

E. "facilities" means electric transmission and interconnected storage facilities and all related structures, properties and supporting infrastructure, including any interests therein;

F. "finance" or "financing" means the lending of bond proceeds by the authority to a public utility or other private person for the purpose of planning, acquiring, operating and maintaining eligible facilities in whole or in part by that public utility or other private person;

G. "project" means an undertaking by the authority to finance or plan, acquire, maintain and operate eligible facilities located in part or in whole within the state of New Mexico;

H. "public utility" means a public electric utility regulated by the public regulation commission pursuant to the Public Utility Act and municipal utilities exempt from public regulation commission regulation pursuant to

Section 62-6-4 NMSA 1978 that own or operate facilities;

I. "renewable energy" means electric energy:

(1) generated by use of low- or zero-emissions generation technology with substantial long-term production potential; and

(2) generated by use of renewable energy resources that may include:

(a) solar, wind, hydropower and geothermal resources;

(b) fuel cells that are not fossil fueled; or

(c) biomass resources, such as agriculture or animal waste, small diameter timber, salt cedar and other phreatophyte or woody vegetation removed from river basins or watersheds in New Mexico, landfill gas and anaerobically digested waste biomass; but

(3) does not include electric energy generated by use of fossil fuel or nuclear energy; and

J. "storage" means energy storage technologies that convert, store and return electricity to help alleviate disparities between electricity supply and demand, to facilitate the dispatching of electricity or to increase economic return on the sale of electricity.

Section 3. NEW MEXICO RENEWABLE ENERGY TRANSMISSION
AUTHORITY CREATED--ORGANIZATION.--

A. The "New Mexico renewable energy transmission authority" is created as a public body, politic and corporate, separate and apart from the state, constituting a governmental instrumentality for the performance of essential public functions.

B. The authority shall be composed of seven members as follows:

(1) three members appointed by the governor with the advice and consent of the senate. The initial appointees shall be appointed for staggered terms of one, two and three years; thereafter the members shall be appointed for three-year terms;

(2) the state investment officer or the state investment officer's designee;

(3) the state treasurer or the state treasurer's designee;

(4) one member appointed by the speaker of the house of representatives who shall serve at the pleasure of the speaker of the house; and

(5) one member appointed by the president pro tempore of the senate who shall serve at the pleasure of the president pro tempore.

C. The qualifications of the members shall be as follows:

(1) one member appointed by the governor

shall have expertise in financial matters involving the financing of major electrical transmission projects;

(2) the other four appointed members shall have:

(a) special knowledge of the public utility industry, as evidenced by college degrees or by experience, at least five years of which must be with the public utility industry; and

(b) knowledge of renewable energy development; and

(3) no member shall represent a person that owns or operates facilities.

D. The members initially appointed by the speaker of the house and the president pro tempore of the senate shall, by lot, determine one to have an initial term of two years and one to have an initial term of four years; thereafter, the appointments will be for staggered terms of four years.

E. In addition to the seven voting members, the secretary of energy, minerals and natural resources shall serve as an ex-officio nonvoting member of the authority.

F. The governor shall designate an appointed member of the authority to serve as chair, and the authority may elect annually such other officers as it deems necessary.

G. The authority shall meet at the call of the

chair or whenever four members shall so request in writing. A majority of members then serving constitutes a quorum for the transaction of business, but the affirmative vote of at least four members is necessary for any action to be taken by the authority.

H. The authority is not created or organized and its operations are not conducted for the purpose of making a profit, but it is expected to recover the costs of operating the authority. No part of the revenues or assets of the authority shall benefit or be distributable to its members, officers or other private persons. The members of the authority shall receive no compensation for their services, but the public members shall be reimbursed for actual and necessary expenses at the same rate and on the same basis as provided for public officers in the Per Diem and Mileage Act.

I. The authority is not subject to the supervision or control of any other board, bureau, department or agency of the state except as specifically provided in the New Mexico Renewable Energy Transmission Authority Act. No use of the terms "state agency" or "instrumentality" in any other law of the state shall be deemed to refer to the authority unless the authority is specifically referred to in the law.

J. The authority is a governmental instrumentality for purposes of the Tort Claims Act.

A. The authority shall:

(1) do any and all things necessary or proper to accomplish the purposes of the New Mexico Renewable Energy Transmission Authority Act;

(2) hire an executive director and such other employees or other agents as it deems necessary for the performance of its powers and duties, including consultants, financial advisors and legal advisors, and prescribe the powers and duties and fix the compensation of the employees and agents. The executive director of the authority shall direct the affairs and business of the authority, subject to the policies, control and direction of the authority; and

(3) maintain such records and accounts of revenues and expenditures as required by the state auditor. The state auditor or the state auditor's designee shall conduct an annual financial and legal compliance audit of the accounts of the authority and file copies with the governor and the legislature.

B. The authority may:

(1) make and execute agreements, contracts and other instruments necessary or convenient in the exercise of its powers and functions with any person or governmental agency;

(2) enter into contractual agreements with respect to one or more projects upon the terms and conditions

the authority considers advisable;

(3) utilize the services of executive departments of the state upon mutually agreeable terms and conditions;

(4) enter into partnerships with public or private entities;

(5) identify and establish corridors for the transmission of electricity within the state;

(6) through participation in appropriate regional transmission forums, coordinate, investigate, plan, prioritize and negotiate with entities within and outside the state for the establishment of interstate transmission corridors;

(7) pursuant to Subsection C of this section, finance or plan, acquire, maintain and operate eligible facilities necessary or useful for the accomplishment of the purposes of the New Mexico Renewable Energy Transmission Authority Act;

(8) pursuant to the provisions of the Eminent Domain Code, exercise the power of eminent domain for acquiring property or rights of way for public use if needed for projects if such action does not involve taking utility property or does not materially diminish electric service reliability of the transmission system in New Mexico, as determined by the public regulation commission;

(9) receive by gift, grant, donation or otherwise, any sum of money, aid or assistance from the United States, the state of New Mexico, any other state, any political subdivision or any other public or private entity;

(10) for any project, provide information and training to employees of the project regarding any unique hazards that may be posed by the project, as well as training in safety work practices and emergency procedures;

(11) issue bonds pursuant to the New Mexico Renewable Energy Transmission Authority Act as necessary to undertake a project;

(12) enter into contracts for the lease and operation by the authority of eligible facilities owned by a public utility or other private person;

(13) enter into contracts for leasing eligible facilities owned by the authority, provided that any revenue derived pursuant to the lease shall be deposited in the renewable energy transmission bonding fund;

(14) collect payments of reasonable rates, fees, interest or other charges from persons using eligible facilities to finance eligible facilities and for other services rendered by the authority, provided that any revenue derived from payments made to the authority shall be deposited in the renewable energy transmission bonding fund;

(15) borrow money necessary to carry out the

purposes of the New Mexico Renewable Energy Transmission Authority Act and mortgage and pledge any leases, loans or contracts executed and delivered by the authority;

(16) sue and be sued; and

(17) adopt such reasonable administrative and procedural rules as may be necessary or appropriate to carry out its powers and duties.

C. Except as provided in this subsection, the authority shall not enter into any project if public utilities or other private persons are performing the acts, are constructing or have constructed the facilities, or are providing the services contemplated by the authority, and are willing to provide funds for and own new infrastructure to meet an identified need and market. Before entering into a project, the following procedures shall be implemented:

(1) the authority shall provide to each public utility and the public regulation commission and publish one time in a newspaper of general circulation in New Mexico and one time in a newspaper in the area where the eligible facilities are contemplated and on a publicly accessible web page maintained by the authority, an initial notice describing the project that the authority is contemplating, including a detailed description of the existing or anticipated renewable energy sources that justify the determination by the authority that the project facilities

are eligible facilities. The description shall contain, at a minimum, the names of all persons that already are or will develop the renewable energy sources, all persons that will own the renewable energy sources and the peak output capacity, source type, location and anticipated connection date of the renewable energy sources;

(2) any person with an interest that may be affected by the proposed project shall have thirty days from the date of the last publication of the initial notice to challenge, in writing, the determination by the authority that the facilities are eligible facilities. If a challenge is received by the authority within the thirty days, the authority shall hold a public hearing no sooner than thirty days after receiving the challenge and after a minimum of two weeks notice in the same newspapers and web page in which the initial notice was given. Following the public hearing, the authority shall make a final determination of eligibility and give notice of the determination pursuant to Section 39-3-1.1 NMSA 1978. Any person or governmental entity participating in the hearing may appeal the final determination by filing a notice of appeal with the district court pursuant to Section 39-3-1.1 NMSA 1978;

(3) public utilities and other persons willing and able to provide money for, acquire, maintain and operate the eligible facilities described in the notice shall

have the following time period to notify the authority of intention and ability to provide money for, acquire, maintain and operate the eligible facilities described in the notice:

(a) within ninety days of the date of the last publication of the initial notice if no challenge is received pursuant to Paragraph (2) of this subsection; or

(b) within ninety days of the date of the notice of determination if a challenge is received pursuant to Paragraph (2) of this subsection; and

(4) in the absence of notification by a public utility or other person pursuant to Paragraph (3) of this subsection, or if a person, having given notice of intention to provide money for, acquire, maintain and operate the eligible facilities contemplated by the authority, fails to make a good faith effort to commence the same within twelve months from the date of notification by the authority of its intention, the authority may proceed to finance or plan, acquire, maintain and operate the eligible facilities originally contemplated, provided that a person that, within the time required, has made necessary applications to acquire federal, state, local or private permits, certificates or other approvals necessary to acquire the eligible facilities shall be deemed to have commenced the same as long as the person diligently pursues the permits, certificates or other approvals.

D. In soliciting and entering into contracts for the transmission or storage of electricity, the authority and any person leasing or operating eligible facilities financed or acquired by the authority shall, if practical, give priority to those contracts that will transmit or store electricity to be sold and consumed in New Mexico.

E. The authority and any eligible facilities acquired by the authority are not subject to the supervision, regulation, control or jurisdiction of the public regulation commission; provided that nothing in this subsection shall be interpreted to allow a public utility to include the cost of using eligible facilities in its rate base without the approval of the public regulation commission.

F. In exercising its powers and duties, the authority shall not own or control facilities unless:

(1) the facilities are leased to or held for lease or sale to a public utility or such other person approved by the public regulation commission;

(2) the operation, maintenance and use of the facilities are vested by lease or other contract in a public utility or such other person approved by the public regulation commission;

(3) the facilities are owned or controlled for a period of not more than one hundred eighty days after termination of a lease or contract described in Paragraph (1)

or (2) of this subsection or after the authority gains possession of the facilities following a breach of such a lease or contract or as a result of bankruptcy proceedings; or

(4) the facilities do not affect in-state retail rates or electric service reliability.

G. A public utility subject to regulation of the public regulation commission pursuant to the Public Utility Act may recover the capital cost of a project undertaken pursuant to the New Mexico Renewable Energy Transmission Authority Act from its retail customers only if the project has received a certificate of public convenience and necessity from the public regulation commission. A municipal utility exempt from regulation of the public regulation commission may recover such costs only if the project has been approved by the governing body of the municipality. Costs associated with a project undertaken pursuant to the New Mexico Renewable Energy Transmission Authority Act are not recoverable from retail utility customers except to the extent the costs are prudently incurred and the project is used and useful in serving those customers as determined by the public regulation commission.

Section 5. RENEWABLE ENERGY TRANSMISSION BONDS--
APPROPRIATION OF PROCEEDS.--

A. The authority is authorized to issue and sell revenue bonds, known as "renewable energy transmission bonds", HB 188
Page 14

payable solely from the renewable energy transmission bonding fund, in compliance with the New Mexico Renewable Energy Transmission Authority Act, for the purpose of entering into a project when the authority determines that the project is needed.

B. The net proceeds from the bonds are appropriated to the authority for the purpose of financing or acquiring eligible facilities.

Section 6. RENEWABLE ENERGY TRANSMISSION BONDING FUND
CREATED--MONEY IN THE FUND PLEDGED.--

A. The "renewable energy transmission bonding fund" is created in the state treasury. The fund shall consist of revenues received by the authority from operating or leasing eligible facilities, fees and service charges collected, and, if the authority has provided financing for eligible facilities, money from payments of principal and interest on loans. Earnings of the fund shall be credited to the fund. Balances in the fund at the end of any fiscal year shall remain in the fund, except as provided in this section.

B. Money in the renewable energy transmission bonding fund is pledged for the payment of principal and interest on all bonds issued pursuant to the New Mexico Renewable Energy Transmission Authority Act. Money in the fund is appropriated to the authority for the purpose of paying debt service, including redemption premiums, on the

bonds and the expenses incurred in the issuance, payment and administration of the bonds.

C. On the last day of January and the last day of July of each year, the authority shall estimate the amount needed to make debt service and other payments during the next twelve months from the renewable energy transmission bonding fund on the bonds plus the amount that may be needed for any required reserves. The authority shall transfer to the renewable energy transmission authority operational fund any balance in the renewable energy transmission bonding fund above the estimated amounts.

D. Bonds issued pursuant to the New Mexico Renewable Energy Transmission Authority Act shall be payable solely from the renewable energy transmission bonding fund or, with the approval of the bondholders, such other special funds as may be provided by law and do not create an obligation or indebtedness of the state within the meaning of any constitutional provision. No breach of any contractual obligation incurred pursuant to that act shall impose a pecuniary liability or a charge upon the general credit or taxing power of the state, and the bonds are not general obligations for which the state's full faith and credit is pledged.

E. The state does hereby pledge that the renewable energy transmission bonding fund shall be used only for the

purposes specified in this section and pledged first to pay the debt service on the bonds issued pursuant to the New Mexico Renewable Energy Transmission Authority Act. The state further pledges that any law requiring the deposit of revenues in the renewable energy transmission bonding fund or authorizing expenditures from the fund shall not be amended or repealed or otherwise modified so as to impair the bonds to which the renewable energy transmission bonding fund is dedicated as provided in this section.

Section 7. AUTHORITY TO REFUND BONDS.--The authority may issue and sell at public or private sale bonds to refund outstanding renewable energy transmission bonds by exchange, immediate or prospective redemption, cancellation or escrow, including the escrow of debt service funds accumulated for payment of outstanding bonds, or any combination thereof, when, in its opinion, such action will be beneficial to the state.

Section 8. RENEWABLE ENERGY TRANSMISSION BONDS--FORM--EXECUTION.--

A. The authority, except as otherwise specifically provided in the New Mexico Renewable Energy Transmission Authority Act, shall determine at its discretion the terms, covenants and conditions of the bonds, including, but not limited to, date of issue, denominations, maturities, rate or rates of interest, call features, call premiums, registration,

refundability and other covenants covering the general and technical aspects of the issuance of the bonds.

B. The bonds shall be in such form as the authority may determine, and successive issues shall be identified by alphabetical, numerical or other proper series designation.

C. Bonds shall be signed and attested by the executive director of the authority and shall be executed with the facsimile signature of the chair of the authority and the facsimile seal of the authority, except for bonds issued in book entry or similar form without the delivery of physical securities. Any interest coupons attached to the bonds shall bear the facsimile signature of the executive director of the authority, which officer, by the execution of the bonds, shall adopt as the executive director's own signature the facsimile thereof appearing on the coupons. Except for bonds issued in book entry or similar form without the delivery of physical securities, the Uniform Facsimile Signature of Public Officials Act shall apply, and the authority shall determine the manual signature to be affixed on the bonds.

Section 9. PROCEDURE FOR SALE OF RENEWABLE ENERGY TRANSMISSION BONDS.--

A. Bonds shall be sold by the authority at such times and in such manner as the authority may elect, either at private sale for a negotiated price or to the highest bidder

at public sale for cash at not less than par and accrued interest.

B. In connection with any public sale of the bonds, the authority shall publish a notice of the time and place of sale in a newspaper of general circulation in the state and also in a recognized financial journal outside the state. The publication shall be made once each week for two consecutive weeks prior to the date fixed for such sale, the last publication to be two business days prior to the date of sale. The notice shall specify the amount, denomination, maturity and description of the bonds to be offered for sale and the place, day and hour at which sealed bids therefore shall be received. All bids, except those of the state, shall be accompanied by a deposit of two percent of the principal amount of the bonds. Deposits of unsuccessful bidders shall be returned upon rejection of the bid. At the time and place specified in such notice, the authority shall open the bids in public and shall award the bonds, or any part thereof, to the bidder or bidders offering the best price. The authority may reject any or all bids and readvertise.

C. The authority may sell a bond issue, or any part thereof, to the state or to one or more investment bankers or institutional investors at private sale.

Section 10. NEW MEXICO RENEWABLE ENERGY TRANSMISSION
AUTHORITY ACT IS FULL AUTHORITY FOR ISSUANCE OF BONDS--BONDS

ARE LEGAL INVESTMENTS.--

A. The New Mexico Renewable Energy Transmission Authority Act is, without reference to any other act of the legislature, full authority for the issuance and sale of renewable energy transmission bonds, which bonds shall have all the qualities of investment securities under the Uniform Commercial Code and shall not be invalid for any irregularity or defect or be contestable in the hands of bona fide purchasers or holders thereof for value.

B. The bonds are legal investments for any person or board charged with the investment of any public funds and are acceptable as security for any deposit of public money.

Section 11. SUIT MAY BE BROUGHT TO COMPEL PERFORMANCE OF OFFICERS.--Any holder of bonds or any person or officer being a party in interest may sue to enforce and compel the performance of the provisions of the New Mexico Renewable Energy Transmission Authority Act.

Section 12. RENEWABLE ENERGY TRANSMISSION BONDS TAX EXEMPT.--All renewable energy transmission bonds are exempt from taxation by the state or any of its political subdivisions.

Section 13. RENEWABLE ENERGY TRANSMISSION AUTHORITY OPERATIONAL FUND.--The "renewable energy transmission authority operational fund" is created in the state treasury. The fund shall consist of money appropriated and transferred

to the fund. Earnings from investment of the fund shall be credited to the fund. Money in the fund is appropriated to the authority for the purpose of carrying out the provisions of the New Mexico Renewable Energy Transmission Authority Act. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert. Disbursements from the fund shall be made upon warrants drawn by the secretary of finance and administration pursuant to vouchers signed by the executive director of the authority.

Section 14. REPORT TO LEGISLATURE.--The authority shall submit a report of its activities to the governor and to the legislature not later than December 1 of each year. Each report shall set forth a complete operating and financial statement covering its operations for the previous fiscal year.

Section 15. LEGISLATIVE OVERSIGHT.--

A. In addition to its other duties, the New Mexico finance authority oversight committee shall:

(1) monitor and oversee the operation of the authority;

(2) meet on a regular basis to receive and review reports from the authority on implementation of the provisions of the New Mexico Renewable Energy Transmission Authority Act and to review rules proposed for adoption pursuant to that act;

(3) review and provide assistance and advice to the authority before the authority enters into a project;

(4) undertake an ongoing examination of the statutes, constitutional provisions, regulations and court decisions governing energy transmission and renewable energy development; and

(5) report its findings and recommendations, including recommended legislation or necessary changes, to the governor, to the public regulation commission and to each session of the legislature. The report and proposed legislation shall be made available on or before December 15 of each year.

B. Once each calendar quarter, the authority shall report to the legislative finance committee on all expenditures made and activities conducted in the fiscal year to date pursuant to the provisions of the New Mexico Renewable Energy Transmission Authority Act.

Section 16. A new section of the Gross Receipts and Compensating Tax Act is enacted to read:

"DEDUCTION--GROSS RECEIPTS--EQUIPMENT FOR CERTAIN ELECTRIC TRANSMISSION OR STORAGE FACILITIES.--Receipts from selling equipment to the New Mexico renewable energy transmission authority or an agent or lessee of the authority may be deducted from gross receipts if the equipment is installed as part of an electric transmission facility or an

interconnected storage facility acquired by the authority pursuant to the New Mexico Renewable Energy Transmission Authority Act."

Section 17. A new section of the Gross Receipts and Compensating Tax Act is enacted to read:

"DEDUCTION--COMPENSATING TAX--EQUIPMENT FOR CERTAIN ELECTRIC TRANSMISSION OR STORAGE FACILITIES.--The value of equipment installed as part of an electric transmission facility or an interconnected storage facility acquired by the New Mexico renewable energy transmission authority pursuant to the New Mexico Renewable Energy Transmission Authority Act may be deducted in computing compensating tax due."

Section 18. A new section of the Gross Receipts and Compensating Tax Act is enacted to read:

"DEDUCTION--GROSS RECEIPTS--SERVICES PROVIDED FOR CERTAIN ELECTRIC TRANSMISSION AND STORAGE FACILITIES.-- Receipts from providing services to the New Mexico renewable energy transmission authority or an agent or lessee of the authority for the planning, installation, repair, maintenance or operation of an electric transmission facility or an interconnected storage facility acquired by the authority pursuant to the New Mexico Renewable Energy Transmission Authority Act may be deducted from gross receipts."

Section 19. EFFECTIVE DATE.--The effective date of the provisions of this act is July 1, 2007. _____